

# MISSOURI BUDGET AND LEGISLATIVE AGENDA

## Responsible Stewardship of Taxpayer Dollars

***“We must create a government that is more responsive to the needs of the people. Missouri has to earn back the trust of its citizens by demonstrating that their government can get its house in order, operate efficiently, and deliver results.”***

***Governor Matt Blunt***

Missourians are by nature a prudent, no-nonsense people that expect government agencies to work efficiently and effectively to achieve goals. They rightfully expect their elected leaders to responsibly manage state finances, much in the same way that they handle their own personal finances. Sound management of state resources is essential if Missouri is to progress. The state must limit the number of tasks it takes on, as it cannot be all things to all people. For those functions that it does assume, it must provide the highest level of service with minimal resources. Good, hard-working state employees must be adequately compensated and allowed to be innovative so that they can deliver the high-quality service they want to provide. The Governor's *Budget and Legislative Agenda* takes major steps toward improving the services provided to the citizens of the state. In his first year in office, Governor Blunt will take actions to ensure responsible stewardship of taxpayer dollars, make public education the state's top priority, create Missouri jobs, improve the health of Missourians, and protect citizens from crime. This all can and must be done without increasing the tax burden on Missouri families.

## Ensuring Structural Balance between Revenues and Expenditures

For several fiscal years, the State of Missouri has used one-time revenue sources to fund ongoing expenses. That type of budgeting has proven unsustainable. It has sunk the state into a budgetary dilemma from which extrication is extremely difficult. Governor Blunt recognizes the danger. He has stated that Missouri must stop spending more than the revenues it receives. The Governor is determined to ensure that the state will do so during his term of office. Taking firm aim at a balanced budget, the Governor recommends core reductions totaling \$1.1 billion, including \$362.2 million general revenue. These reductions will result in the state workforce being trimmed by 1,456 positions. Many programs will be reduced, and some will be eliminated. To truly address the state's structural budget problem and bring spending in line with revenues, difficult decisions must be made.

To balance the state's budget with available resources, the Governor's Fiscal Year 2006 recommendations include the following actions:

- \$239.2 million in reductions to state department budgets. The Governor's department heads have only been on the job a short time, so many of them were not able to provide assistance during development of the Fiscal Year 2006 budget. Rather than relying on appointees of the previous administration, the Governor will task his appointees with developing detailed plans for budget reduction targets to be implemented in Fiscal Year 2006. The department heads will have the next five months to develop these plans, which will be implemented through withholdings at the beginning of the fiscal year. Elementary and secondary education along with higher education will be exempt from these withholdings.

- \$626 million reduction to the Medicaid Program. The Medicaid Program has grown far beyond the state's ability to afford it. Rising health care costs and program expansions by previous administrations have increased state expenditures in this program 108 percent over the last seven years. Without taking aggressive action to control spending increases, the state cannot properly fund education or other critical priorities. Governor Blunt is committed to maintaining Medicaid services provided to pregnant women and children and does not support any changes to these portions of the Medicaid Program. In addition, the state is not doing enough to identify every instance of Medicaid fraud. The Governor is dedicated to improving current efforts to stop the unscrupulous from defrauding taxpayers and supports requiring the Department of Social Services to conduct an annual income and eligibility verification on every Medicaid recipient.
- \$13.8 million in savings and a reduction in the state workforce of 1,017 positions, as a result of improved delivery of services through private providers. The Department of Mental Health's Division of Mental Retardation and Developmental Disabilities operates state habilitation centers providing housing and care to 1,375 residents. Many of these individuals would enjoy a higher quality of life in a less restrictive placement as opposed to a state-operated institution. Governor Blunt supports plans to expand community placements through closure of the state-operated Bellefontaine Habilitation Center and by contracting with providers to assist supported living clients.
- \$9 million in savings achieved through responsible debt management. The State of Missouri is one of only seven states in the nation that has received the highest bond rating, "Triple A," from Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. Maintaining a high rating is important because it saves taxpayers money. Governor Blunt is adamant that the state will retain its high rating, and he intends to implement policies that will ensure it. That means putting the state budget on a solid footing by ceasing to rely on one-time revenue sources. Quite simply, the state must not spend more than it receives. Responsible management of long-term debt the state has previously incurred is essential. Governor Blunt has instructed the Office of Administration to achieve savings by refinancing debt when market conditions warrant.
- \$8.1 million in savings and a reduction in the state workforce of 194 positions, by closing the Department of Revenue's motor vehicle licensing branch offices. In November 2004, Missouri voters approved Constitutional Amendment Number 3. The amendment limits the amount of highway funds the Department of Revenue may receive. Absent any change in operations, Amendment 3 would have cost the state approximately \$40.9 million in additional general revenue funds. In order to reduce this cost while ensuring that important highway-related functions of the Department of Revenue are performed efficiently and effectively, Governor Blunt ordered 11 branch offices to be converted to fee offices. Also, the Governor recommends reducing an additional \$1.7 million and 22 positions for other highway fund-related activities from the Department of Revenue budget in order to streamline services.

## Reorganizing State Government

It has been 30 years since the last comprehensive reorganization of state government. Over the past three decades, numerous programs and entities have been added to state government, resulting in duplication and overlap of services. During this time, state government has grown over 1,200 percent, from \$1.4 billion to \$19.4 billion. The number of state employees has grown as well. Despite this growth, however, the overall level of service provided by state government has not improved. It is time to reform departmental operations in the interest of economy, efficiency, and better service. Governor Blunt is committed to making Missouri's government as streamlined and efficient as possible. Restructuring key functions will save money and improve the manner in which services are delivered to the taxpayers of Missouri.

Governor Blunt will immediately begin streamlining state government by taking the following actions:

- Eliminating the state's Washington, D.C. Office. This office was eliminated by the General Assembly two years ago but remained open under the previous administration. Governor Blunt closed the office on the first day of his administration, saving taxpayers more than \$160,000 annually. Governor Blunt will work closely with Missouri's bipartisan congressional delegation to address federal issues that impact Missouri state government programs.
- Eliminating the Office of Homeland Security by reassigning these duties to the Director of the Department of Public Safety. Homeland Security is a public safety issue and should be administered by the state's top public safety executive. A separate office is not an efficient use of resources and creates an additional level of bureaucracy. The consolidation will save \$216,000 annually and reduce the state workforce by three positions.
- Consolidating Information Technology resources within the Office of Administration. This will lead to more effective use of state resources, better service, and lower costs. The state will save more than \$118,692 immediately by eliminating the Director of Information Services position and consolidating the duties with those of the state's Chief Information Officer. Additional savings will be identified as the consolidation is implemented.
- Consolidating in-home services provided to elderly and disabled clients within the Department of Health and Senior Services. Services are currently located in three different departments.
- Consolidating head injury programs in the Department of Health and Senior Services, saving \$852,400. It makes no sense that the Head Injury Advisory Council is located in the Office of Administration when head injury services are provided by the Department of Health and Senior Services.

## **Comprehensive Review of State Government**

Governor Blunt is committed to conducting a thorough review of state government to identify additional areas of duplication, save taxpayer dollars, and improve services provided to Missourians. A top to bottom review is needed to get a complete and accurate picture of what government is doing, why it is doing it, and how it can operate more efficiently. By the end of February, Governor Blunt will issue an Executive Order creating a 20-member commission to conduct a comprehensive review of state government. The Governor will appoint the commission and direct the members to:

- Study the current structure of each executive department. The commission will look at whether this structure lends itself to the provision of effective service to the citizens of Missouri.
- Identify areas in which executive departments can more efficiently and effectively fulfill their missions.
- Explore tools currently available that can help executive departments realize cost savings, increase efficiencies, and provide better service to Missouri citizens.
- Identify opportunities to combine functions and reduce duplicative tasks on an inter-departmental basis.
- Recommend inefficiencies that should be addressed, costs that can be reduced, and services that need to be improved.

## **Immediate Operating Efficiencies**

Governor Blunt also proposes freezing expenditures in certain areas of state government until a comprehensive review can be completed. To curb potentially excessive purchases by state agencies, Governor Blunt issued an Executive Order on January 11, 2005, his first full day in office, that:

- Limits the purchase of non-emergency vehicles. Missouri state government has a fleet of more than 10,800 vehicles. Each state department has its own separate fleet. Governor Blunt is committed to reducing the size of state government's vehicle fleet.
- Halts the purchase of taxpayer provided cell phones. State government owns more than 6,600 cell phones that are used by state employees. Some of these are provided for efficiency and safety purposes. For example, child welfare workers and law enforcement personnel who are put in harm's way must have a continuous means of communication. Other phones, however, are not being utilized for legitimate state business. Governor Blunt will conduct an evaluation of cell phone usage and eliminate phones that are not necessary for the delivery of state services.
- Eliminates the purchase and lease of new space for state agencies. The State of Missouri currently leases more than four million square feet of office space and owns 20 office buildings to house state employees. Governor Blunt is committed to downsizing the state workforce and eliminating the need for additional space.

### **2005 Legislative Initiative Ending Special Retirement Enhancements**

The Administrative Law Judge and Legal Advisors' Plan (ALJLAP) was created in 1984 to provide retirement benefits to administrative law judges and legal advisors in the Division of Workers' Compensation. Since 1984, membership has been expanded to include the Labor and Industrial Relations Commission, Chairman of the State Board of Mediation, legal counsel for the Division of Labor Standards, and Administrative Hearing Commissioners. Current law allows new appointees to positions covered by the system to receive a more lucrative retirement benefit than other state workers without having to serve more than one day in the position. Other state workers must be employed by the state for five years before they are vested in the pension system. Recent appointments to positions covered by the ALJLAP have been scrutinized because they have been used to financially reward political allies. Lawmakers from both parties have enjoyed pension boosts in the past from serving short tenures in an ALJLAP position. Governor Blunt is strongly opposed to this practice and will work with the legislature to reform the current pension structure.

### **Non-Resident Athlete and Entertainer Tax**

Since 1994, Missouri has set aside a portion of income taxes paid by non-resident athletes and entertainers who perform or hold events in Missouri. Collections are to be distributed to the Missouri Arts Council, Missouri Humanities Council, Missouri Public Television Broadcasting Corporation, Missouri State Library Network, and the Historic Preservation Revolving Fund. The tax has never been distributed as originally intended and in recent years designated recipients have received none of the revenues. Governor Blunt recommends a portion of the revenue be distributed in Fiscal Year 2006. The Governor's budget includes:

- \$3.6 million to the Missouri Arts Council to provide financial and technical assistance to non-profit, Missouri-based organizations that fund arts projects for the citizens of the state.
- \$600,000 to the Missouri Humanities Council for promotion of the humanities in Missouri. The council funds programs that help communities understand and celebrate a shared history and assist local institutions in developing the capacity to engage the public in lifelong learning activities.
- \$600,000 to the State Library Networking Fund for distribution to public libraries to assist in the acquisition of library materials, including books, audiotapes, books on tape, CD-Roms, videos, and computer software.
- \$600,000 to the Public Television Broadcasting Corporation Fund which provides grants to public television and public radio stations for assistance with operating costs.
- \$600,000 to the Historic Preservation Revolving Fund to acquire or stabilize historic properties across the state.

## **Elections**

The November 2000 national election brought attention to challenges with regard to the country's election process. In 2002, President Bush signed the federal Help America Vote Act to assist states in improving the election process. As Missouri's chief election official, Matt Blunt was committed to overseeing fair and accurate elections in the state. During his four years as Secretary of State, he began implementation of the Help America Vote Act, appointed a commission to study Missouri's election issues, and was successful in enacting numerous changes to state law that have improved Missouri's election system. These changes have already improved voter turnout and confidence in the system. Voter turnout in the recent November 2004 election, for example, set a record for the state with 2,731,364 Missourians exercising their right to vote.

## **State Employee Compensation**

Missouri state employee salaries have become the lowest in the nation. Census data from 2003 ranks the state 50<sup>th</sup> with regard to average state employee salaries. In the midst of recent challenging budget times, state employees have remained dedicated to providing critical services for Missouri citizens. To maintain a high-performing workforce, Governor Blunt recommends \$25 million for a one percent cost-of-living adjustment for all employees.

### **2005 Legislative Initiative Increasing Election Participation**

To build on his success in improving Missouri's election process, Governor Blunt proposes measures to maximize voter participation by adopting a no-fault absentee balloting law. This proposal will help reverse the long-term decline in voter turnout, increase voting convenience, and lessen the potential for long lines at the polls on election day. Such a law will eliminate the traditional reasons for allowing a voter to cast an absentee ballot on election day, such as disability or being out of town. Under no-fault absentee balloting, voters will not be required to provide a reason in order to vote absentee.